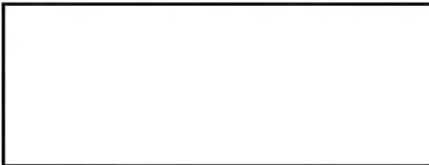


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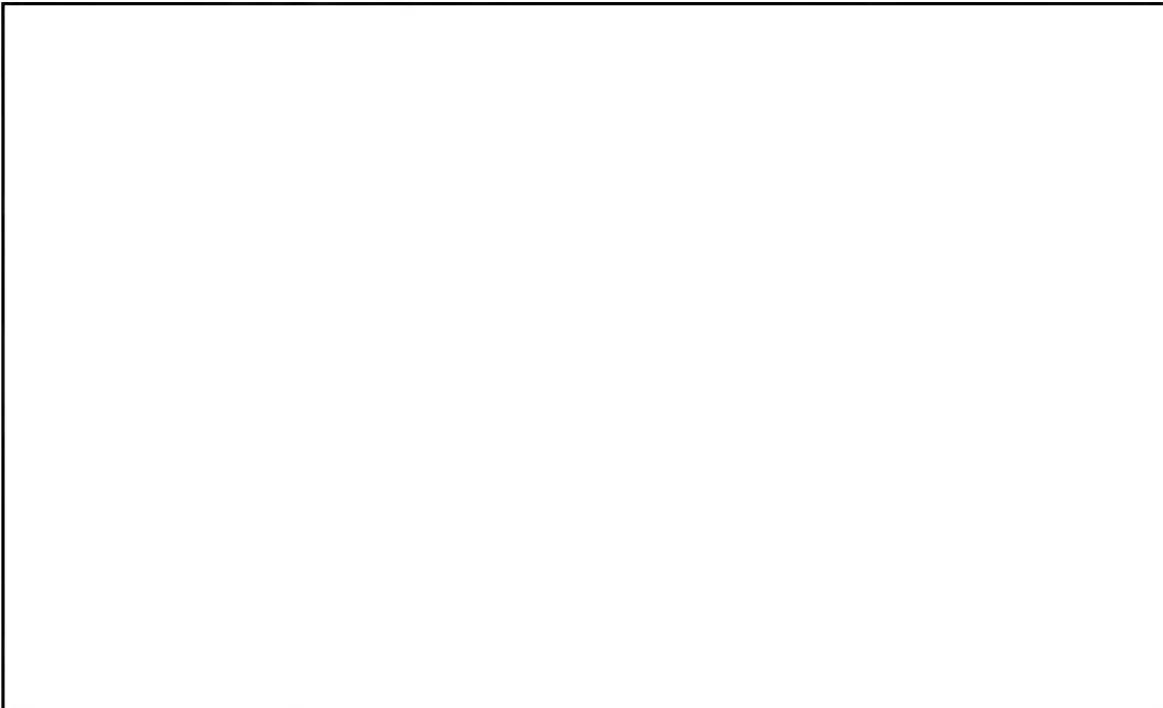
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CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s) completed.

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1. INDONESIAN AIR FORCE INCIDENT BECOMES MAJOR GOVERNMENT ISSUE

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A government crisis has developed in Indonesia following an incident on 14 December when a ceremony to install a new deputy air chief of staff was broken up by a show of arms by disaffected air force personnel. The incident was apparently planned by Air Chief of Staff Suryadarma, who seems to have had the backing of President Sukarno. Suryadarma has reportedly eluded house arrest and taken refuge at the president's palace.

Sukarno and leftist elements may have hoped to bring down the government by this maneuver so that they could exercise a decisive influence over the government reorganization that is to take place during the next few months.

The cabinet, after a long meeting late on 15 December, was reported determined to press for the arrest of Suryadarma and Iwa, the pro-Communist former defense minister, who apparently backed Suryadarma. The prime minister, however, apparently had difficulty getting support for this decision from the representatives of small parties in his coalition cabinet who are reluctant to come into open conflict with Sukarno. Even the army, which is supporting the prime minister, does not relish a contest with the president.

The situation has widened the cleavage between the leftists and the moderates, and intensifies the difficulties of establishing a stable government when the new parliament is seated next April.

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2. MORRISON-KNUDSEN COMPANY OPTIMISTIC ABOUT
REMAINING IN AFGHANISTAN

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The American construction firm of Morrison-Knudsen Afghanistan is optimistic about its future in Afghanistan despite Kabul's continued insistence that the company obtain a transit guarantee from Pakistan as the only alternative to shipping through the USSR.

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The American embassy in Kabul has recently reported that Prime Minister Daud is stronger than ever and that no Afghan leader is prepared at present to oppose his policy of increasing economic ties with the USSR. There have also been rumors that the Soviet Union has offered to take over Morrison-Knudsen operations in Afghanistan, and it has been suggested that government pressure on the firm is designed to force it to cancel its contract.

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Comment

Continued willingness to release operating funds, however, suggests that Daud is not prepared to demand the departure of the company. The Afghan government about 11 December requested American aid in conducting an irrigation survey in the Helmand valley area where the Morrison-Knudsen company is working.

25X1A THE ARAB-ISRAELI SITUATION
(Information as of 1700 16 December)

25X1 A Syrian claim that a border clash with Israeli patrols occurred on 16 December near the scene of the 11-12 December incident has been denied by an Israeli army spokesman. No other significant military action has been reported. American observers have found no evidence of Israeli mobilization, and the Israelis say they have no indication of an Egyptian or Syrian build-up.

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Ambassador Moose in Damascus reports that public emotion there has been deeply stirred by the Israeli raid. He believes that unless Syria obtains satisfaction through the UN or by some other means, there is serious danger that the present government may be forced to choose between suicidal military action and abdicating its authority to left-wing extremists.

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The American ambassador in Tel Aviv believes that because of the Israeli raid on Syria there will be "fireworks" in the Mapai party leadership and possibly in the Israeli cabinet after Foreign Minister Sharett's return on 18 December. Sharett may reiterate the thesis he stated during a policy debate with Ben-Gurion last summer, that a successful foreign policy cannot be conducted under the handicap of border operations initiated in the name of Israel's security.

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the Israelis have hauled three motor torpedo boats overland to Eilat on the Gulf of Aqaba,

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These vessels, plus two new fishing boats reportedly floated in the gulf off Eilat in early October, might become the nucleus of an Israeli amphibious force. Such a force presumably would be used against Egyptian positions at the entrance of the gulf which now bar the passage of Israeli ships. High Israeli officials have stated that force would be used if necessary to break this blockade.

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